

Menke & Company

CERTIFIED PUBLIC ACCOUNTANTS

LOUISA REGIONAL SOLID WASTE AGENCY

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENT

OTHER INFORMATION

SCHEDULE OF FINDINGS

June 30, 2013

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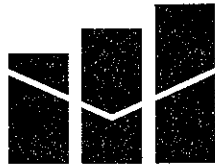
LOUISA REGIONAL SOLID WASTE AGENCY

Officials

June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Phil Kaalberg	Chairperson	City of Columbus Junction
Randy Griffin	Vice-Chairman	County of Louisa Supervisors' Office
Mark Shear	Member	City of Columbus City
Mary Boysen	Member	Rural County of Louisa
Mark Jay	Member	City of Cotter
Jack Reif	Member	Rural County of Louisa
Doug Wolf	Member	City of Grandview
Jerry Kirk	Member	City of Letts
Benita Grooms	Member	City of Oakville
Kenny Marlette	Member	City of Wapello
Julie Frank	Member	City of Fredonia

LOUISA REGIONAL SOLID WASTE AGENCY



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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Members of the Louisa Regional Solid Waste Agency:

We have audited the accompanying financial statement of the Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2013, and the related notes to financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Louisa Regional Solid Waste Agency as of June 30, 2013, and the changes in its cash basis financial position for the year then ended with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

The other information, Management's Discussion and Analysis on pages 7 through 9, has not been subjected to the auditing procedures applied in the audit of the basic financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2014 on our consideration of the Louisa Regional Solid Waste Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Louisa Regional Solid Waste Agency's internal control over financial reporting and compliance.

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Menke & Company
Certified Public Accountants
Professional Corporation
West Point, Iowa
March 21, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Louisa Regional Solid Waste Agency provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of the Louisa Regional Solid Waste Agency is for the year ended June 30, 2013. We encourage readers to consider this information in conjunction with the Agency's financial statement, which follows.

2013 FINANCIAL HIGHLIGHTS

- Operating receipts decreased 8%, or approximately \$29,492, from fiscal year 2012 to fiscal year 2013.
- Operating disbursements increased 1%, or approximately \$2,297, from fiscal year 2012 to fiscal year 2013.
- The Agency's net assets increased 7%, or approximately \$28,271, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The Agency has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing receipts, disbursements, and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statement and provides an analytical overview of the Agency's financial activities.

The Statement of Cash Receipts, Disbursements and Changes in Cash Balance presents information on the Agency's operating receipts and disbursements, non-operating receipts and disbursements and whether the Agency's cash basis financial position has improved or deteriorated as a result of the year's activities.

The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

Financial Analysis of the Agency

Statement of Cash Receipts, Disbursements and Changes in Cash Balance

The purpose of this statement is to present the receipts received by the Agency and the disbursements paid by the Agency, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Agency's cash basis financial position by analyzing the increase or decrease in the Agency's cash balance.

Operating receipts are received for transfer fees from accepting solid waste and from assessments of the members of the Agency. Operating disbursements are paid to operate the transfer station and provide solid waste disposal at landfills near Milan, Illinois and Burlington, Iowa. Non-operating receipts and disbursements are for interest on investments and maintenance and improvements to buildings and grounds. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2013 and 2012 is presented below:

	Year ended June 30,	
	2013	2012
Operating receipts:		
Transfer fees	\$ 289,559	\$ 319,952
City, town and county assessments	63,505	62,225
Other	1,236	1,615
Total operating receipts	354,300	383,792
Operating disbursements:		
Landfill transfer fees	128,208	133,827
Operating contractor fees	142,187	139,671
Other disposal fees	15,623	11,046
Other operating expenses	42,380	41,557
Total operating disbursements	328,398	326,101
Excess of operating receipts over operating disbursements	25,902	57,691
Non-operating receipts (disbursements), net	2,369	(15,985)
Change in cash balance	28,271	41,706
Cash balance beginning of year	393,194	351,488
Cash balance beginning of year	\$ 421,465	\$ 393,194

Financial Analysis of the Agency (continued)

Cash Basis Fund Balance

	2013	2012
Restricted	\$ 12,000	\$ 12,000
Unrestricted	409,465	381,194
Total cash basis fund balance	<u>\$ 421,465</u>	<u>\$ 393,194</u>

In fiscal year 2013, operating receipts decreased \$29,492, or 8%, over fiscal year 2012. The decrease was primarily a result of transfer fees decreasing by \$30,393. In fiscal 2013, operating disbursements increased \$2,297, or 1%, over fiscal year 2012. The increase in disbursements was due in large part to increases in operating contractor and other disposal fees.

A portion of the Agency's cash balance, \$12,000 (3%), is restricted for closure and postclosure care. State and federal laws and regulations require the Agency to perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$409,465 (97%) is unrestricted and can be used to meet the Agency's obligations as they come due. The restricted cash balance was unchanged during the year. The unrestricted cash balance increased \$28,271 or 7% during the year.

ECONOMIC FACTORS

The financial position of the Agency improved during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for Agency officials. Some of the realities that may potentially become challenges for the Agency to meet are:

Facilities require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

Annual deposits which may be required to be made to closure and postclosure accounts are based on constantly changing cost estimates.

The Agency anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Agency's ability to react to unknown issues.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Agency's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Louisa Regional Solid Waste Agency, 8313 K Avenue, Wapello, Iowa 52653.

Louisa Regional Solid Waste Agency

Financial Statement

LOUISA REGIONAL SOLID WASTE AGENCY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCE
For the Year Ended June 30, 2013

Operating receipts:	
Transfer fees	\$ 289,559
City and town assessments	39,560
County assessments	23,945
Scrap sales	1,236
Total operating receipts	<u>354,300</u>
Operating disbursements:	
Salaries	4,896
Payroll taxes and employee benefits	772
Landfill transfer fees	128,208
Operating contractor fees	142,187
Other disposal fees	15,623
Insurance	3,644
Taxes and licenses	204
Repairs and maintenance	2,229
Supplies	2,754
Utilities	5,318
Telephone	901
Office expense	489
Training	1,805
Professional fees	19,368
Total operating disbursements	<u>328,398</u>
Excess of operating receipts over operating disbursements	<u>25,902</u>
Non-operating receipts (disbursements):	
Interest income	6,270
Buildings and grounds	(3,901)
Net non-operating disbursements	<u>2,369</u>
Change in cash basis net assets	28,271
Cash basis net assets, beginning of year	<u>393,194</u>
Cash basis net assets, end of year	<u>\$ 421,465</u>
Cash Basis Net Assets	
Restricted net assets	12,000
Unrestricted net assets	<u>409,465</u>
Total cash basis net assets	<u>\$ 421,465</u>

See notes to financial statement

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Louisa Regional Solid Waste Agency was formed pursuant to the provisions of Chapter 28E of the Code of Iowa for the purpose of providing solid waste handling services for Louisa County, Iowa on behalf of the units of government which are members of the Agency.

The governing body of the Agency is composed of one representative from each of the eight member cities and three representatives from Louisa County. The member cities are Columbus City, Columbus Junction, Cotter, Fredonia, Grandview, Letts, Oakville and Wapello. The representatives are appointed by the respective political subdivisions and each member is entitled to one vote, except Louisa County, which has three votes. The Agency receives funds related to postclosure costs for the landfill from its current members, as well as from the former member cities of Winfield, Conesville and Morning Sun.

A. Reporting Entity

For financial reporting purposes, the Louisa Regional Solid Waste Agency has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Agency are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting

The Agency maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Agency is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items, including estimated payables for the closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Agency in accordance with accounting principles generally accepted in the United States of America.

D. Net Position

Funds set aside for payment of closure and postclosure care are classified as restricted.

NOTE 2 – CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposits or other evidences of deposit at federally insured depository institutions approved by the Agency; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of GASB Statement No. 3.

NOTE 3 – PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 3 – PENSION AND RETIREMENT BENEFITS (CONTINUED)

Plan members are required to contribute 5.78% of their annual salary and the Agency is required to contribute 8.67% of annual covered payroll. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$424, \$406, and \$306, respectively, equal to the required contribution for each year.

NOTE 4 – RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The agency's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2013 were \$3,435.

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 4 – RISK MANAGEMENT (CONTINUED)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The Agency assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 5 – CLOSURE AND POSTCLOSURE CARE COST

To comply with federal and state requirements, the Agency is required to complete a monitoring system plan and a closure/postclosure plan to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that year. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. Because the landfill stopped taking waste by August 24, 1994, it is exempt from the financial assurance requirements described above and is permitted to fund these costs from current operations. This funding is provided by all current members of the Agency and former member cities of Winfield, Conesville and Morning Sun. The total closure and postclosure costs related to the transfer station as of June 30, 2013 have been estimated at \$12,000. The Agency has deposited this amount in a separate bank account specifically to meet this funding requirement. These funds are reported as restricted net assets on the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Chapter 567-113.14(8) of the Iowa Administrative Code allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Agency is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanisms.

LOUISA REGIONAL SOLID WASTE AGENCY
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2013

NOTE 6 – TRANSFER STATION CLOSURE CARE

To comply with state regulations, the Agency is required to complete a closure plan detailing how the transfer station will comply with proper disposal of all solid waste and litter at the site, cleaning the transfer station building, including the rinsing of all surfaces that have come in contact with solid waste or washwater, cleaning of all solid waste transport vehicles that will remain on site, including the rinsing of all surfaces that have come in contact with solid waste, and removal and proper management of all washwater in the washwater management system.

To comply with state regulations, the Agency is required to maintain a closure account as financial assurance for the closure care costs. The effect of the state requirement is to commit landfill owners to perform certain closing functions as a consideration for the right to operate the transfer station in the current period.

As discussed in Note 5, the total closure care costs for the Agency as of June 30, 2013 have been estimated at \$12,000. The Agency has deposited this amount in a separate bank account specifically to meet this funding requirement. These funds are reported as restricted net assets on the Statement of Cash Receipts, Disbursements, and Changes in Cash Balance. This balance has been restricted and is fully funded at June 30, 2013.

NOTE 7 – OPERATOR CONTRACT

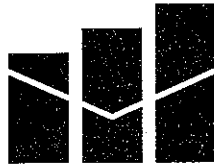
The Agency entered into a contract for the operation of the transfer station. Under the contract, the contractor is to operate the transfer station site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services the contractor fees for the year ended June 30, 2013 totaled \$142,187. The contract expired August 31, 2012, but was renewed for 5 years under similar terms.

NOTE 8 – SUBSEQUENT EVENTS

The Agency performed an evaluation of subsequent events through March 21, 2014, which is the date the financial statements were available to be issued. There have been no subsequent events that would require disclosure or recognition in the financial statement as of June 30, 2013.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

LOUISA REGIONAL SOLID WASTE AGENCY



Menke & Company

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statement Performed in
Accordance with Government Auditing Standards

To the Members of the Louisa Regional Solid Waste Agency:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the Louisa Regional Solid Waste Agency as of and for the year ended June 30, 2013, and the related notes to financial statement, and have issued our report thereon dated March 21, 2014. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Louisa Regional Solid Waste Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Louisa Regional Solid Waste Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Louisa Regional Solid Waste Agency's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item 2013-I-A to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Louisa Regional Solid Waste Agency's Responses to Findings

The Louisa Regional Solid Waste Agency's written responses to findings identified in our audit are described in the accompanying Schedule of Findings. The Louisa Regional Solid Waste Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Louisa Regional Solid Waste Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Sincerely,



Menke & Company
Certified Public Accountants
Professional Corporation
West Point, Iowa
March 21, 2014

**LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2013**

Findings Related to the Financial Statement:

INTERNAL CONTROL DEFICIENCIES:

2013-I-A:

Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, the Agency has one individual who has control over the account billings, collections, deposits, recording transactions, and reconciling receipts and disbursements, for which no compensating controls exist.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the Agency should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances. The Agency should designate a member of the Board to provide additional control through review of financial transactions and reconciliations. Such reviews should be evidenced by initials or signature of the reviewer and the date of the review.

Response – We will consider the recommendation.

Conclusion – Response accepted.

Instances of Noncompliance:

No matters were noted.

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No disbursements of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- (3) Agency Minutes – No transactions were found that we believe should have been approved in the Agency minutes but were not.
- (4) Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted.
- (5) Solid Waste Fees Retainage – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**LOUISA REGIONAL SOLID WASTE AGENCY
SCHEDULE OF FINDINGS
Year Ended June 30, 2013**

Other Findings Related to Required Statutory Reporting (Continued):

- (6) Financial Assurance – The Agency has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code. The calculation is made as follows:

Total estimated costs for closure and postclosure care	\$ 12,000
Less: Closure and postclosure care costs assured under the local Government test at June 30, 2013	<u>(12,000)</u>
	<u>\$ 0</u>
 Required balance of funds to be held in the local dedicated fund at June 30, 2013	 <u>\$ 12,000</u>
 Amount Agency has restricted and reserved for closure and postclosure care at June 30, 2013	 <u>\$ 12,000</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure fund be made at least yearly within 30 days of the close of the fiscal year. The required deposit was made during the year ended June 30, 2013.

LOUISA REGIONAL SOLID WASTE AGENCY

Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Kelly Nelton, CPA

Kristy Adams